



CONNECTICUT BANKERS ASSOCIATION

March 5, 2022

To: Members of the Banking Committee
From: Tom Mongellow, Art Corey (860-677-5060); Fritz Conway (860-229-0301)
Re: House Bill 5218, An Act Concerning Card Access to Home Equity Lines of Credit

Position: Support

H.B. 5218 would allow financial institutions to issue plastic cards that can be used by a customer to obtain advances from the customer's home equity line of credit ("HELOC"). This would bring state law for state-chartered banks into product parity with federal law for national banks, which permits cards linked to HELOCs.

Currently, federal banks control approximately 80% of the Connecticut retail banking marketplace, which means that many Connecticut consumers already have access to a HELOC product that could be linked to a card. The remaining customers, who are typically state chartered community bank or credit union customers, can easily open an HELOC at a federal bank with a card feature, thereby putting our state-chartered banks and credit unions at a competitive disadvantage, and potentially losing customers.

Connecticut law currently prevents state-chartered financial institutions from allowing HELOC customers to obtain advances on their HELOCs by use of a card. Methods for obtaining HELOC advances currently permitted include paper checks, online banking transfers to deposit accounts, and over-the-counter cash advances.

Except for online banking advances, these methods for accessing a HELOC are quickly becoming outdated. Younger homeowners will increasingly want to obtain HELOC advances by electronic means, including through the use of HELOC cards, rather than paper checks.

Additionally, a 2019 Payments Study by the Federal Reserve found that check payments in the United States declined at an annual rate of 7.2 percent a year from 2015 to 2018. In 2000, there were 42.6 billion check payments; in 2018, there were 14.5 billion.

Another Federal Reserve Survey ON Consumer Payment Choice, reported that in 2009 U.S. consumers age 18 and older made 13 percent of their payments with checks; BY 2018, it was down to just 5 percent.

Clearly, consumers are quickly moving away from checks for accessing funds and are moving toward electronic methods, including cards. Connecticut law should be modernized to align HELOC advances with these trends and create a more level playing field for state-chartered community banks.

For the above reasons, we respectfully ask that the Committee vote in favor of H.B. 5218.